

ELUCIDATION
TO
BANK INDONESIA REGULATION
NUMBER: 11/11/PBI/2009
CONCERNING
MANAGEMENT OF CARD-BASED PAYMENT
INSTRUMENT ACTIVITIES

GENERAL REVIEW

During the almost five years since the Bank Indonesia regulations concerning management of card-based payment instrument (CBPI) activities were first issued at the end of 2004, numerous technological advances have come into being with influence on CPBIs. For this reason, and also to respond to input from the industry, it is deemed necessary to harmonise a number of regulatory provisions. Some matters necessary to be brought into alignment include the reliability, security and efficiency requirements of systems used by CBPI providers and more effective supervision through reporting, performance of supervision and use of pre-supervision through the licensing process.

Efficiency in the national payment system through use of CBPIs can be improved by requiring CBPI principals, issuers and/or acquirers to comply with

certain ...

certain requirements, such as use of reliable systems offering interoperability with the systems of other principals, issuers and/or acquirers. By satisfying these requirements, it is possible to avoid a proliferation of stand alone systems and in so doing achieve savings on investment in technological devices, which will in turn reduce costs and improve efficiency in transaction processing.

In regard to the satisfaction of requirements and to facilitate supervision, principals, issuers and acquirers are required to be licensed in advance by Bank Indonesia prior to conducting their activities. To support improved effectiveness in supervision of other CBPI service providers, such as clearing providers and settlement providers for CBPI transactions, detailed requirements are specified for both types of service providers in regard to licensing and the various reports that must be submitted to Bank Indonesia.

For the personalisation of CBPI cards, for which licensing was required under the previous regulation, no more licensing is required under this regulation for the reason that it is related more to the supporting activities in management of CBPIs. It is duty and responsibility of the CBPI issuer at the time that the CBPI issuer enters into cooperation with the personalisation company to ensure that the personalisation company complies with requirements for system reliability and card holder data confidentiality.

In regard ...

In regard to protection for CBPI holders, some requirements applicable to issuers are unchanged from the former CBPI regulation. However, there are some additional explanations and updated wording in line with the new legislation governing information and electronic transactions, such as the Law concerning Information and Electronic Transactions. In some areas, the possibility exists for technical and micro regulations to be regulated and agreed by the industry itself to complement the rules adopted by Bank Indonesia (Self-Regulatory Organisation/SRO). However, regulations issued by an SRO may not conflict with policy and macro regulations established by Bank Indonesia.

Thereafter, in view of the rapid growth of prepaid card-based payment instruments and the forecast for continued variation in development and use of these cards by industry and the public, special attention is clearly needed in regard to supervision and the provision of a regulatory framework. In this regard, it has become necessary to prescribe the regulation of prepaid products in more complete detail in a Bank Indonesia Regulation separate from the regulation of CBPIs.

ARTICLE BY ARTICLE

Article 1

Self-explanatory.

Article 2 ...

Article 2

Paragraph (1)

In principle, both Banks and Non-Bank Institutions have the same opportunity to act as Principal, among others in carrying the same responsibility in system reliability and establishment of fair, objective procedures and requirements if the network is used by other Issuers.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 3

Paragraph (1)

"Objective" is defined as in accordance with the requirements established by the Principal and extending equal treatment towards all Issuers and/or Acquirers.

"Transparent" is defined as the requirement for adequate information to be available to Issuers and/or Acquirers in regard to the formulation

process ...

process, implementation of procedures and requirements established by the Principal.

Principals shall provide effective supervision of the security and reliability of networks used by Issuers and/or Acquirers by monitoring or by on-site visits to Issuers and/or Acquirers. Such examination may be conducted on a regular or incidental basis, without a requirement to wait for an incident or if the Issuer and/or Acquirer intends to enter into cooperation with other parties.

Paragraph (2)

"Other party cooperating with Issuers and/or Acquirers" is defined as any party other than Principal, Issuer, Acquirer, Clearing Provider and/or Settlement Provider, such as switching company, personalisation company, card printing company and/or party providing a CBPI transaction processing facility.

Article 4

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Written notification to Bank Indonesia no later than 10 (ten) working days shall be proven by the date stamp of the document courier company or date stamp for receipt at Bank Indonesia.

Article 5

Self-explanatory.

Article 6

Paragraph (1)

Self-explanatory.

Paragraph (2)

Non-Bank Institutions eligible to mobilise funds under the laws governing Non-Bank Institutions include, but are not limited to, cooperatives in accordance with the laws of the Republic of Indonesia governing cooperatives.

Article 7

Self-explanatory.

Article 8

Paragraph (1)

Self-explanatory.

Paragraph (2)

The definition of "fraudulent actions" includes actions by Merchants that defraud Principals, Issuers, Acquirers and/or Card Holders, including Merchants known to have acted in concert with fraudsters, processed cash withdrawal transactions against Credit Cards or processed transaction surcharges.

Paragraph (3)

The requirement for exchange of information and data among Acquirers, whether by Credit Card Acquirers or Debit Card Acquirers, in regard to Merchant names and data shall be followed by proposing names of Merchant for entry into a merchant black list. Information pertaining to the merchant black list shall be managed by an association of Acquirers and/or Credit Card or Debit Card Issuers.

Paragraph (4)

Self-explanatory.

Article 9

Self-explanatory.

Article 10

Paragraph (1)

Self-explanatory.

Paragraph ...

Paragraph (2)

A Bank or Non-Bank Institution shall be declared able to launch activities as Principal, Issuer, Acquirer, Clearing Provider and/or Settlement Provider if its network or system is in operating condition and its products are ready for use by the general public as CBPIs

Written notification of inability to launch activities as Principal, Issuer, Acquirer, Clearing Provider and/or Settlement Provider must enclose supporting evidence reinforcing the explanation of the reasons and constraints responsible for the inability to launch activities as Principal, Issuer, Acquirer, Clearing Provider and/or Settlement Provider.

Paragraph (3)

Self-explanatory.

Article 11

Self-explanatory.

Article 12

In this Article, a Principal, Issuer, Acquirer, Clearing Provider and/or Settlement Provider engaged in cooperation is a Principal, Issuer, Acquirer, Clearing Provider and/or Settlement Provider operating in the territory of the Republic of Indonesia.

Article 13 ...

Article 13

Paragraph (1)

"Another party" is defined as any party other than Principal, Issuer, Acquirer, Clearing Provider and/or Settlement Provider, such as a switching company, personalisation company, card printing company and/or party providing CBPI transaction processing facilities.

Paragraph (2)

Self-explanatory.

Article 14

"Signature" in this Article is defined as an ink signature or electronic signature.

An ink signature of a prospective Card Holder is required in the case of a prospective Card Holder who for the first time applies for a Credit Card from the Issuer, when the Issuer has never previously held any data on the prospective Card Holder (Customer Information File/CIF). This requirement is necessary as part of the protection of the prospective Card Holder.

Signature in other form, such as electronic signature, may be required if the Issuer is already in possession of the Card Holder data, for example for issuance of a Credit Card comprising an add-on, upgrade or conversion.

"Add-on" is defined as the issuance of a second and subsequent credit card to the same Card Holder. "Upgrade" is defined as the upgrading of card facilities, such as from silver to gold. "Conversion" is defined as the changeover from one type of Credit Card facility to another facility, such as from silver card to clear card.

When implementing electronic signatures, the Issuer must comply with the prescribed requirements in the laws and regulations of the Republic of Indonesia concerning electronic information and transactions.

Article 15

Paragraph (1)

"Risk management" in this paragraph is defined as including but not limited to liquidity risk management, credit risk management, operational risk management and risk management in use of information technology. In the application of this risk management, an Issuer or Acquirer is also required to maintain financial readiness to settle payment obligations that may arise in the event of Credit Card fraud.

The provisions governing risk management for Banks acting as Credit Card Issuers or Acquirers shall be guided by the Bank Indonesia regulation governing risk management and all relevant

implementation ...

implementation regulations. For the time being, in specific regard to risk management applied in the use of information technology for Banks acting as Credit Card Issuers or Acquirers, this risk management shall be guided by the Bank Indonesia Regulation concerning Risk Management in Use of Information Technology at Commercial Banks.

The provisions concerning risk management for Non-Bank Institutions acting as Credit Card Issuers or Acquirers shall be guided by the regulatory provisions governing risk management for the specific Non-Bank Institution. In the absence of regulatory provisions governing risk management for a Non-Bank Institution, the application of risk management for a Non-Bank Institution acting as Issuer or Acquirer may be guided by the Bank Indonesia regulatory provisions governing Bank risk management, including risk management in the use of information technology.

Paragraph (2)

Compliance with the regulatory provisions concerning the requirement for Commercial Banks to formulate and implement bank credit policy includes attention to sound lending principles by specifying and regulating key principles such as lending prudence, organisation and

management ...

management of lending operations, credit approval policy, loan documentation and administration, loan supervision and resolution of problem loans.

Paragraph (3)

Self-explanatory.

Article 16

Self-explanatory.

Article 17

Paragraph (1)

The regulatory provisions concerning formulation and implementation of credit policy for Banks acting as Credit Card Issuers shall be guided by the Bank Indonesia regulatory provisions governing the formulation and implementation of Commercial Bank credit policy.

The regulatory provisions concerning formulation and implementation of credit policy for Non-Bank Institutions acting as Credit Card Issuers shall be guided by the Bank Indonesia regulatory provisions governing the formulation and implementation of credit policy for the Non-Bank Institution. In the absence of regulatory provisions concerning the formulation and implementation of credit policy for the Non-Bank Institution, the formulation and implementation of credit

policy ...

policy for the Non-Bank Institution acting as Credit Card Issuer may be guided by the Bank Indonesia regulatory provisions governing the formulation and implementation of Commercial Bank credit policy.

Paragraph (2)

"Fairness and propriety" means that the Issuer follows the calculation procedures agreed by the industry and is committed to transparent disclosure of the principles of this calculation to the Card Holder. An example of consideration on the basis of fairness and propriety is that the Issuer shall not charge interest in cases of early payment, when a bill is settled prior to the billing date.

Paragraph (3)

The requirement to be subject to the Bank Indonesia regulatory provisions concerning formulation and implementation of Commercial Bank credit policy shall apply to both Banks and to Non-Bank Institutions issuing Credit Cards.

Paragraph (4)

For internal purposes, a Credit Card Issuer may assess a more prudent collectibility rating in comparison to the rules of Bank Indonesia or the rules of the competent authority for the Non-Bank Institution, but for the purpose of reporting to Bank Indonesia, the Credit Card Issuer

Is required ...

is required to assess credit collectibility on the basis of the Bank Indonesia rules for Bank lending.

Paragraph (5)

Self-explanatory.

Article 18

"Facility incurring added costs" in this article is defined as including but are not limited to insurance schemes and issuance of supplementary Credit Cards.

"Facility outside the main Credit Card function" is defined as including but not limited to treatment of surplus payment of Credit Card bills as savings deposit handled strictly as for ordinary deposits that may be used for transactions other than Credit Card transactions, for example, interbank fund transfers.

"Written consent of the Card Holder" is defined as consent given by the Card Holder through a communications medium specifically established by the Credit Card Issuer for communication between the Credit Card Issuer and its customers, including email, facsimile or telephone, which is subsequently expressed in the official records of the Credit Card Issuer, whether in the form of transcript or electronic media.

Article 19

Paragraph (1)

Exchange of information or data concerning Credit Card holders shall notwithstanding observe the bank secrecy provisions stipulated in the laws and regulations concerning banking.

Paragraph (2)

Card Holder data held in a negative list includes but is not limited to information on Credit Card Holder identity, Credit Card transaction data over a specified period, credit collectibility, credit ceiling and credit balance.

Paragraph (3)

Information centre in this paragraph includes but is not limited to information centre managed by Bank Indonesia, an association of Credit Card Issuers and/or a credit bureau.

Paragraph (4)

Prohibition on disclosure of Card Holder information and data in this paragraph covers, for example, disclosure by Issuers of Card Holder information and data to other parties, such as Merchants and insurance companies.

"Written consent of the Card Holder" is defined as the consent given by the Card Holder through a communications medium specifically

established ...

established by the Credit Card Issuer for communications between the Credit Card Issuer and its customers, including e-mail, facsimile or telephone, which is subsequently expressed in the official records of the Credit Card Issuer, whether in the form of transcript or electronic media.

Article 20

Paragraph (1)

The notification of new Credit Card products is intended as one form of supervision in advance of the launching of new Credit Card product activities.

New Credit Card products include but are not limited to new variants of Credit Cards (silver, gold, platinum, co-branding, etc.) or addition of Credit Card functions.

Paragraph (2)

Explanations of the characteristics of a new Credit Card product include, but is not limited to, transaction flow, enhancement of system security and differences between the new product and former product.

Paragraph (3)

Self-explanatory.

Article 21

Paragraph (1)

"Parties other than other parties" in this paragraph is defined as, for example, document courier companies, sales agents or debt collectors.

Paragraph (2)

Self-explanatory.

Article 22

Paragraph (1)

"Risk management" in this paragraph is defined as including but not limited to liquidity risk management, operational risk management and risk management in the use of information technology. In the application of this risk management, the ATM Card and/or Debit Card Issuer is also required to maintain financial readiness to settle payment liabilities that may arise in the event of ATM Card and/or Debit Card fraud.

The provisions governing risk management for Banks acting as ATM Card and/or Debit Card Issuers shall be guided by the Bank Indonesia regulatory provisions concerning risk management and all relevant implementation regulations. For the time being, the application of risk management in the use of information technology in particular shall

be ...

be guided by the Bank Indonesia Regulation concerning Risk Management in Use of Information Technology at Commercial Banks. The provisions concerning risk management for Non-Bank Institutions acting as ATM Card and/or Debit Card Issuer shall be guided by the regulatory provisions governing risk management for the Non-Bank Institution. In the absence of regulatory provisions concerning risk management for a Non-Bank Institution, the application of risk management for a Non-Bank Institution acting as Issuer may be guided by the Bank Indonesia regulatory provisions governing risk management for Banks, including risk management in use of information technology.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 23

Self-explanatory.

Article 24

Paragraph (1)

Notification of new ATM Card and/or Debit Card products is intended as one form of supervision in advance of the launching of new ATM Card and/or Debit Card product activities.

Paragraph (2)

Explanations of the characteristics of new ATM Card and/or Debit Card product shall include, but not be limited to, transaction flow, system security upgrade and differences in the new product compared to the former product.

Paragraph (3)

Self-explanatory.

Article 25

Use of the rupiah currency in CBPI activities is consistent with the mandate of Article 2 paragraph (3) of Act Number 23 of 1999 concerning Bank Indonesia as last amended by Act Number 6 of 2009.

Use of the rupiah currency is defined as units of rupiah as used in payment transactions conducted with non-cash payment instruments.

The conduct of transactions using the rupiah currency may be indicated, among others, by evidence of the transaction in the rupiah currency, as printed in a sales draft or other evidence of transaction.

Article 26

Paragraph (1)

Merger is the legal act undertaken by one or more Banks or Non-Bank Institutions to merge themselves with another existing Bank or Non-Bank Institution resulting in the legal transfer of the assets and liabilities of the merging Banks or Non-Bank Institutions to the Bank or Non-Bank Institution accepting the merger and thereafter the incorporation status of the merging Bank(s) or Non-Bank Institution(s) is legally terminated.

Consolidation is the legal act undertaken by two or more Banks or Non-Bank Institutions to consolidate by establishing a new Bank or Non-Bank Institution which legally receives transfer of the assets and liabilities of the consolidating Banks or Non-Bank Institutions and thereafter the incorporation status of the Banks or Non-Bank Institutions participating in the consolidation is legally terminated.

Corporate Split is the legal act undertaken by a Bank or Non-Bank Institution to split its business resulting in the transfer of all assets and liabilities of the Bank or Non-Bank Institution to two or more Banks or Non-Bank Institutions or legal transfer of part of the assets and

liabilities ...

liabilities of the Bank or Non-Bank Institution to one or more Banks or Non-Bank Institutions.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Takeover is the legal act undertaken by a legal entity or natural person for takeover of shares in a Bank or Non-Bank Institution resulting in transfer of control over that Bank or Non-Bank Institution.

Paragraph (4)

Self-explanatory.

Article 27

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

Provision of opportunity to Bank Indonesia to obtain information shall include provision of access to the information technology system.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Paragraph (6)

Self-explanatory.

Article 28

"Other parties" in this article is defined as parties deemed by Bank Indonesia to possess the capacity to conduct supervision, including but not limited to public accountants and information technology consultants.

Supervision by another party may be conducted by that party itself, or jointly with supervisors from Bank Indonesia.

Article 29

Paragraph (1)

CBPI technology security encompasses security in the processes of card issuance, data management, card security and security in the entire system used to process CBPI transactions.

"Secure" is defined as an electronic system in use with physical and non-physical protection.

"Reliable" is defined as capacity of the electronic system commensurate to the needs of its users.

Paragraph (2)

Information technology audit may be performed by an independent auditor.

Paragraph (3)

Self-explanatory.

Article 30

Self-explanatory.

Article 31

Self-explanatory.

Article 32

Paragraph (1)

The requirement for provision of a system offering interoperability with other CBPI systems is intended, among others, to improve efficiency in CBPI activities.

Paragraph (2)

Self-explanatory.

Article 33

Paragraph (1)

Changes that must be reported for information in specific documents include but are not limited to the composition of management or owners of the legal entity concerned.

Paragraph (2)

Self-explanatory.

Article 34

Self-explanatory.

Article 35

Paragraph (1)

The purpose of self-regulation by a forum or institution (Self-Regulatory Organisation or SRO) is to supplement the regulations and policies of Bank Indonesia.

Paragraph (2)

To ensure ...

To ensure that any issued rules do not conflict with the rules and policies of Bank Indonesia, the content of the rules to be issued by the forum or institution shall be consulted with Bank Indonesia.

Paragraph (3)

Self-explanatory.

Article 36

The posting of a list of names of Banks or Non-Bank Institutions on the Bank Indonesia website is intended to inform the general public of the CBPI Principals, Issuers, Acquirers, Clearing Providers and/or Settlement Providers licensed by Bank Indonesia for management of CBPIs.

Article 37

Self-explanatory.

Article 38

Self-explanatory.

Article 39

Self-explanatory.

Article 40

Self-explanatory.

Article 41

Self-explanatory.

Article 42

Self-explanatory.

Article 43

Self-explanatory.

Article 44

Self-explanatory.

Article 45

Self-explanatory.

Article 46

Self-explanatory.

Article 47

Self-explanatory.

Article 48

Self-explanatory.

Article 49

Self-explanatory.

Article 50

Self-explanatory.

Article 51

Self-explanatory.

Article 52 ...

Article 52

Self-explanatory

Article 53

Self-explanatory

Article 54

Letter a

Self-explanatory.

Letter b

Recommendation from the competent supervisory authority may originate from the bank authority, payment system authority or authority for the Non-Bank Institution concerned.

Letter c

Self-explanatory.

Letter d

Self-explanatory.

Letter e

Self-explanatory.

Article 55

Self-explanatory.

Article 56

Self-explanatory.

Article 57

Self-explanatory.

Article 58

Self-explanatory.

Article 59

Self-explanatory.

Article 60

Self-explanatory.